



U.S. Department of Housing and Urban Development

District Office of the Inspector General  
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Audit-Related Memorandum  
96-AT-248-1822

MEMORANDUM FOR: John L. Perry, Director,  
Community Planning and Development, 4AD

FROM: Kathryn Kuhl-Inclan  
District Inspector General for Audit  
Southeast/Caribbean, 4AGA

SUBJECT: Accounting System Evaluation  
Progressive Redevelopment Inc.  
Atlanta, Georgia

### INTRODUCTION

From May 14, 1996 through May 31, 1996 we performed a limited review of the financial management system of Progressive Redevelopment Inc. (PRI) as it relates to its Supportive Housing Program. The PRI is designated as a program participant under Grant No. GA06S15-1035 awarded on March 20, 1996 for \$1,329,300. The Metro Atlanta Task Force for the Homeless (Task Force) will provide technical assistance to PRI. The grant calls for PRI to perform the following three activities:

- provide 10 to 15 additional Safe Haven beds for homeless mentally ill clients during the program period,
- provide employment assistance, substance abuse treatment and or health care services to a minimum of an additional 13,200 homeless individuals and/or families during the program period, and
- provide other supportive services identified in the approved application.

The three year grant budget provides \$300,000 for acquisition, \$615,000 for supportive expenses, \$351,000 for operating expenses, and \$63,300 to be paid to the Task Force for technical assistance.



At March 31, 1996, the PRI board consisted of 15 members, a full time, salaried Executive Director and support staff. The Executive Director is also the chairman of the board. PRI plans to hire additional staff members to operate the program.

### SCOPE OF REVIEW

The purpose of our review was to provide you with reasonable assurance that PRI has systems and controls in place to account for the receipt and disbursement of grant funds and to accumulate and document statistical data to demonstrate program accomplishment and prepare required reports. As you know, our review did not constitute an audit made in accordance with generally accepted government audit standards.

We interviewed the Executive Director and a staff member to obtain documentation to ascertain whether: (1) a reasonable financial accounting system exists to capture and properly classify project expenditures, (2) the organization's staff appears knowledgeable of its responsibilities as a recipient of Federal funding and under its contract with the Task Force for the Homeless, (3) the organization is legally established, and appears properly administered and viable, and (4) the organization otherwise appears reasonably prepared to carry out the objectives of its supportive housing program. We looked for areas which indicated a need for technical assistance and guidance by your office and the Task Force.

### OBSERVATIONS

PRI does not have an accounting system which includes basic accounting records to control the receipt and disbursement of grant funds. The current system only produces an income and expense statement which is compiled from PRI's check book. There is no general ledger, receipt and disbursement journal, or general journal. PRI does retain an accounting firm, however, it is not clear what role they will play in the financial management of the grant.

PRI has not established a system to capture data on the number of homeless families and individuals it plans to serve. Without an effective system, PRI will not be able to show it is complying with its agreement to provide 10 to 15 additional beds and serve, assist and treat the additional 13,200 homeless individuals and/or families.

### MONITORING CONSIDERATIONS

In order to effectively monitor the grant, PRI's contract needs to be revised to bring it in line with the application and grant budget. For example:

- The contract calls for PRI to provide 10 to 15 additional beds while the budget calls for 15 beds to be provided. Neither the contract nor the application states the number of beds currently being provided.
- The contract calls for PRI to provide employment assistance, substance abuse treatment and/or health care services to a minimum of an additional 13,200 homeless individuals and/or families during the program period. Neither the contract nor the application state the number of homeless individuals and/or families currently being served. Providing the above type of service to an additional 13,200 homeless does not appear realistic considering PRI plans to hire only 9 additional staff members. Also, if PRI were able to serve 13,200 homeless, the service provided would be minimal and ineffective especially in the area of substance abuse treatment.
- Activity 3 of the contract calls for PRI to "provide other supportive services identified in the approved application". We were unable to determine from the application what these other services are.
- The budget provides \$300,000 for acquisition. Acquisition is not listed as an activity in the contract.
- PRI has changed the site approved in the application to another site. PRI has requested HUD to approve this change. At the date of this memorandum, HUD has not approved the change.

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Prior to release of any funds, your staff and the Task Force should assure that PRI has accounting controls, and data collection systems in place to account for and control the receipt and disbursement of grant funds and accurately report program results. Your staff should assure that any changes to the application or contract are approved. Your staff should recommend PRI's contract be revised to specifically align it with the application and budget.

This memorandum is for your information; no response is necessary. If you have any questions or need additional information, please

contact Nancy H. Cooper, Assistant District Inspector General for Audit, at 1-3369.

#### DISTRIBUTION

Director, Community Planning and Development Division, 4AD  
Director, Interagency Council on the Homeless, DEO  
Director, Progressive Redevelopment, Inc.  
Director, Metro Atlanta Task Force for the Homeless